

**STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENT, GREAT LAKES, AND ENERGY
OIL, GAS, AND MINERALS DIVISION**

IN THE MATTER OF

THE PETITION OF TRAK OIL LLC FOR AN ORDER)
FROM THE SUPERVISOR OF WELLS AMENDING)
ORDER NO. 07-2014 TO APPROVE A)
RECONFIGURED CALVIN 1 UNIT AREA WITH) ORDER NO. 13-2022
ENHANCED RECOVERY OPERATIONS IN PARTS)
OF THE CALVIN SECTION 28 FIELD, CALVIN)
TOWNSHIP, CASS COUNTY, MICHIGAN.)

OPINION AND ORDER

This case involves the Petition of Trak Oil LLC (“Petitioner”) requesting an order of the Supervisor to reconfigure the enhanced recovery unit previously established under Orders No (A) 27-11-05 and 07-2014 for the Calvin 1 unit area. The previous orders authorized the Calvin 1 unit area for injection of natural gas liquids or other substances approved by the Supervisor into the Traverse Limestone Formation for the purposes of enhanced recovery. The proposed reconfigured Unit Area consists of approximately 935 acres, more or less, and is described as:

- Section 27: W/2 SW/4
 - Section 28: All except SW/4 SW/4 and S/2 SE/4 SW/4
 - Section 33: S/2 NE/4 NW/4 and NE/4 (except W 3/4 S/2 SW/4 NE/4) and N 30 acres of E 50 acres N/2 SE/4
 - Section 34: NW/4 SW/4 and NW/4 NW/4
- Township 7 South, Range 14 West
Calvin Township, Cass County, Michigan

Jurisdiction

The development of oil and gas in this state is regulated under Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended, MCL 324.61501 *et seq.* The purpose of Part 615 is to ensure the orderly development and production of the oil and gas resources of this State, with a view to the ultimate recovery of the maximum production of these natural resources.

MCL 324.61502. To the end of maximizing recovery, the Supervisor of Wells (Supervisor) regulates secondary recovery methods of oil and gas, including the introduction of substances into producing formations, for purposes of enhancing production. MCL 324.61506(i). A person proposing secondary recovery by injection of water, gas, or other fluid into a producing formation must file a petition for a public evidentiary hearing. 1996 AACS, R 324.612. The evidentiary hearing is governed by the applicable provisions of the Administrative Procedures Act, 1969 PA 306, as amended, MCL 24.201, *et seq.* See 1996 AACS, R 324.1203. The evidentiary hearing in this matter was set for January 23, 2023.

FINDINGS OF FACT

The Petitioner specifically requests that the Supervisor issue an Order amending the Calvin 1 Unit Area established under Order No. (A) 27-11-05 and Order No. 07-2014 by removing acreage in which the title is in dispute.

A collective answer protesting this petition was filed by landowners associated with the title dispute (Respondents) on January 16, 2023, and a Prehearing Conference (Conference) was held on January 23, 2023, to discuss matters related to the hearing. The Conference established schedules for motions and exhibit exchanges to occur from February 17 through April 28, 2023, and the evidentiary hearing was rescheduled to occur on May 15, 2023. On April 18, 2023, the Petitioner and Respondents, through their respective attorneys submitted a Stipulated Withdrawal of Answer and Amendment to Petition.

After receiving the Stipulated Withdrawal of Answer and Amendment to Petition, on May 1, 2023, the Supervisor designated the hearing to be an uncontested evidentiary hearing pursuant to R 324.1205(1)(c) and directed substantive evidence be presented in the form of verified statements pursuant to R 324.1205(2). In support of its case, the Petitioner presented the verified statement of Michael Kamis, who is a petroleum and reservoir engineer and the President of Apex Global Engineering, Inc. The Petitioner also presented the verified statement of Charles Lawrence of Trak Oil, LLC.

I. Calvin 1 Reconfigured Unit Area

The Petitioner proposes to reduce the size of the Calvin 1 Unit approved in Order No. 07-2014 and to reconfigure the unit boundaries to consist only of the following lands, being approximately 935 acres, more or less:

Section 27: W/2 SW/4

Section 28: All except SW/4 SW/4 and S/2 SE/4 SW/4

Section 33: S/2 NE/4 NW/4 and NE/4 (except W 3/4 S/2 SW/4 NE/4) and N 30 acres of E 50 acres N/2 SE/4

Section 34: NW/4 SW/4 and NW/4 NW/4

Township 7 South, Range 14 West

Calvin Township, Cass County, Michigan

Through a transfer settlement agreement, the Petitioner is the permittee of record and operator of the wells in the Calvin 1 Reconfigured Unit Area. Mr. Lawrence attests that the Petitioner owns or controls the lessee's interest in all the oil and gas leases within the Calvin 1 Reconfigured Unit Area.

Mr. Lawrence attests that the oil and gas leases covering the lands in the Reconfigured Unit Area are the subject of a voluntary Unitization Agreement, as amended, executed, or ratified by all the owners of oil, gas and mineral interests and oil and gas leasehold interests in the Unitized Formation of the Proposed Reconfigured Unit. The Unitization Agreement, as amended through Certificate of Fifth Amendment is attached to the Petition as Exhibit I. The Petitioner is the successor operator to the voluntary Unitization Agreement. The Unitization Agreement specifically authorizes the operator, or its successors or assigns, to conduct enhanced oil recovery, by injecting natural gas liquids and other substances to increase the ultimate recovery of oil and gas from the Unit Area. The Unitization Agreement also specifically authorizes the operator, or its successors or assigns, to enlarge or reduce the Unit Area.

I find the boundary of the proposed Reconfigured Calvin 1 Unit Area is an appropriate Unit Area to prevent waste and should be approved.

II. Secondary Recovery

The Petitioner proposes to recover additional oil by using the “VAPEX” production process for the purpose of enhanced recovery. The VAPEX production process involves the introduction of saturated solvent gases into a heavy crude oil reservoir. The viscosity of the heavy oil is significantly reduced by the dissolution of solvent gases into the heavy oil, thereby increasing its ability to flow. Mr. Kamis states that in addition to the solvent gases commonly contained in NGL streams (e.g., pentane, ethane, propane, butane), paraffin inhibitors, asphaltene inhibitors, water, CO₂, and nitrogen are generally accepted as industry practices for the VAPEX production process. Mr. Kamis states that depletion has been minimal since Order No. 07-2014 and opines that the Petitioner’s near-term and long-term proposed operations in the Calvin1 Reconfigured Unit Area are both feasible and economical.

Mr. Lawrence states that the proposal includes producing the existing vertical wells and ultimately drilling one or more horizontal wells within the Calvin 1 Reconfigured Unit Area. As part of this development, some of the existing production wells may also be converted to injection wells.

Mr. Lawrence states the proceeds of production will be allocated among the owners of the oil, gas, and minerals, and oil and gas leasehold interests, in the Calvin 1 Reconfigured Unit Area, in accordance with the voluntary Unitization Agreement, and the operative oil and gas leases.

After review of all testimony and evidence on the record, I find the reconfiguration of Unit boundaries will protect correlative rights and prevent underground waste, and as such, the reconfiguration of the Unit boundaries is approved.

CONCLUSIONS OF LAW

Based on the Findings of Fact, I conclude, as a matter of law:

1. The applicable spacing for the Calvin 1 Reconfigured Unit Area is Order No. 1-1-84, Order No. (A) 27-11-05, Order No. 07-2014, and R 324.301. An exception to these Orders may be granted by the Supervisor after a hearing.
2. The Supervisor may regulate the secondary recovery methods of oil and gas, including the introduction of gas, air, water, and other substances into the producing formations. MCL 324.61506(i).

3. A person desiring to inject water, gas, or other fluid into a producing formation or use other technology for the purpose of increasing the ultimate recovery of hydrocarbons from a reservoir shall file a petition for hearing. 1996 AACS, R 324.612(1).

4. The operator of a secondary recovery project shall keep accurate records of all oil, gas, and brine produced; volumes of fluids injected; and injection pressures. The operator shall file reports of the data, and other data as may be required, with the Supervisor at regular intervals, as specified. 1996 AACS, R 324.612(2).

5. The Supervisor has jurisdiction over the subject matter and the persons interested therein.

6. Due notice of the time, place, and purpose of the hearing was given as required by law and all interested persons were afforded an opportunity to be heard. 2015 AACS, R 324.1204.

DETERMINATION AND ORDER

Based on the Findings of Fact and Conclusions of Law, the Supervisor of Wells determines that the Calvin 1 Reconfigured Unit Area will prevent waste.

NOW, THEREFORE, IT IS ORDERED:

1. Order No. 07-2014 is amended to reconfigure the Calvin 1 Unit to include only the following lands in Calvin Township, Cass County, Michigan:

Section 27: W/2 SW/4

Section 28: All except SW/4 SW/4 and S/2 SE/4 SW/4

Section 33: S/2 NE/4 NW/4 and NE/4 (except W 3/4 S/2 SW/4 NE/4) and N 30 acres of E 50 acres N/2 SE/4

Section 34: NW/4 SW/4 and NW/4 NW/4.

Being approximately 935 acres, more or less.

2. The Unitized Formation in the Reconfigured Unit Area shall remain:

That portion of the Devonian interval measured at a depth of 694 feet to a depth of 770 feet, from the Litho Density Compensated Neutron Gamma Ray Log Run No. 1 in the Bowers 8-32 Well (Permit No. 38113), located in

the NE $\frac{1}{4}$ of the NE $\frac{1}{4}$ of Section 32, T7S, R14W, Calvin Township, Cass County, Michigan.

3. Trak Oil LLC shall make reports to the Supervisor; and when requested, meet with his staff to review, and evaluate the current data. Specifically, Trak Oil LLC shall report to or consult with the Supervisor's staff as follows:

a. The engineering committee previously established for the Calvin 1 Unit Area shall be re-established for the Calvin 1 Reconfigured Unit Area. The engineering committee shall consist of a representative of Trak Oil LLC and a minimum of two Supervisor's representatives of the Oil, Gas, and Minerals Division of EGLE. Each party shall advise in writing, the other party as to its representatives on the engineering committee.

(i) The engineering committee shall meet periodically as the Supervisor's representatives shall determine. However, the engineering committee shall meet on at least one occasion prior to the commencement of injection of any VAPEX substances.

b. Prior to injection of any VAPEX substances, Trak Oil LLC is to obtain written authorization from the Supervisor's staff representatives of the committee.

c. Prior to injection, Trak Oil LLC is to have in place a plan to monitor the freshwater aquifer in the Calvin 1 Reconfigured Unit Area and is to obtain written approval of the plan from the Supervisor's staff representatives of the committee.

4. Operation of the Calvin 1 Reconfigured Unit Area shall be conducted exclusive of and as an exception to Order No. 1-1-84 and any other applicable spacing order, provided no well shall be drilled closer than 330 feet from the unit boundary. The Petitioner is authorized to produce the oil during the oil production phase at rates which result in the maximum efficient recovery of hydrocarbons.

5. The Supervisor shall retain jurisdiction in this matter.

6. This Order is effective immediately.



Dated: September 6, 2023

Adam W. Wygant
ASSISTANT SUPERVISOR OF WELLS
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